

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 7002**

**BILL NUMBER:** HB 1404

**DATE PREPARED:** Jan 3, 2002

**BILL AMENDED:**

**SUBJECT:** Industrial Recovery Site Credits.

**FISCAL ANALYST:** Chris Baker

**PHONE NUMBER:** 232-9851

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** This bill allows the Evansville City Council to designate as an Industrial Recovery Site an industrial facility that is not vacant, but is otherwise disadvantaged, so that investments to improve the industrial facility are eligible for the Industrial Recovery Tax Credit.

**Effective Date:** July 1, 2002.

**Explanation of State Expenditures:** The Enterprise Zone Board (the Board) and the Department of Commerce (IDOC) will face additional administrative expenses in the review and potential approval of additional Industrial Recovery Site Credits. The Board and the IDOC should be able to absorb these costs within their current budget. As of December 3, 2001, the IDOC had 18 vacant full-time positions.

When deciding whether to approve a disadvantaged industrial facility in Evansville, the Board would be required to consider the following factors:

- 1) The level of distress in the surrounding community caused by the threat of the loss of jobs at the disadvantaged industrial facility.
- 2) Evidence of support for the designation by residents, businesses, and private organizations in the surrounding community.
- 3) Evidence of efforts by the municipality or county to implement the proposed plan without additional financial assistance from the state.
- 4) Whether the industrial recovery site is within an economic revitalization area under current law.

*Department of State Revenue:* Under this bill, the Department would be required to calculate the credit

allowed and determine if the expenditure made by the taxpayer was for a qualified investment. The Department's current resources are sufficient to absorb the additional costs associated with this proposal.

**Explanation of State Revenues:** *If the Board approves a disadvantaged industrial facility within Evansville as an industrial recovery site with eligibility to receive the Industrial Recovery Tax Credit, the credit would reduce state tax revenues by an indeterminable amount, beginning potentially in FY 2003.* Under current law, a taxpayer is entitled to a credit against the taxpayer's state tax liability for a taxable year if the taxpayer makes a qualified investment in that year. The amount of credit for the purpose of the Evansville facility in question would be 25% of the qualified investment made in the given year.

Qualified investment may consist of expenditures by the taxpayer for rehabilitation (including remodeling, repair, or betterment of real property in any manner or any enlargement or extension of real property, or the installation, repair, or retrofitting of personal property) located within an industrial recovery site under an approved plan by the Board.

Under current law, the credit may be applied to a taxpayer's state tax liability under the Gross Income Tax, Adjusted Gross Income Tax, the Supplemental Net Income Tax, the Bank Tax, the Savings and Loan Association Tax, the Insurance Premiums Tax and the Financial Institutions Tax (FIT). Revenue from these taxes are deposited in the state General Fund and the Property Tax Replacement Fund.

Under the bill, in order for the facility in question to be classified as a disadvantaged industrial facility it must:

- 1) have at least 1.5 M square feet of floor space,
- 2) have been placed in service before 1945,
- 3) employ at least 1,500 people, and
- 4) be located in Evansville.

Under current law, in order for a facility to be considered for industrial recovery site status, the county executive must submit a similar application to the Board (upon legislative body approval) that requests the status be approved for a vacant industrial facility within the county, but not within any municipality.

*Background:* There is at least one facility in Evansville that currently meets these requirements. This facility was originally built during WW II to produce fighter aircraft for the Armed Forces of the United States, and was summarily transferred to the current tenant in 1955. The employment at the facility is approximately 2,600 to 3,900 people. This facility currently has 1.7 M square feet of floor space.

The Industrial Recovery Tax Credit (IRTC) has been in effect since 1987 under P.L. 379-1987(ss). Two IRTCs were awarded for tax year 2000 in the amount of \$1.4 M with a total investment of \$7.6 M.

**Explanation of Local Expenditures:** The bill would require either an ordinance or resolution to be passed by the Evansville City Council in order to allow the Evansville city executive to submit an application to the Board requesting a disadvantaged industrial facility within Evansville be designated as an industrial recovery site and eligible for Industrial Recovery Site Credits.

**Explanation of Local Revenues:**

**State Agencies Affected:** Enterprise Zone Board; Department of Commerce; Department of State Revenue.

**Local Agencies Affected:** City of Evansville.

**Information Sources:** State of Indiana, *HRM Detail Staffing Report, 12/03/2001*; Deanna Jeffrion, Department of Commerce, Community Development Division, (317) 232-8917; Department of State Revenue.